

ASSEMBLY BILL

No. 2659

Introduced by Assembly Member Brown

February 21, 2014

An act to add Chapter 12.9 (commencing with Section 7091) to Division 7 of Title 1 of the Government Code, and to add Section 17057.8 to the Revenue and Taxation Code, relating to health access zones.

LEGISLATIVE COUNSEL'S DIGEST

AB 2659, as introduced, Brown. Health Access Zones: income tax: credits.

Existing law establishes the Office of Statewide Health Planning and Development and requires the office to perform various duties, including preparing a Health Manpower Plan for California, which includes establishing appropriate standards for determining the adequacy of supply in the state of specified categories of certain health personnel. Existing law establishes the California Healthcare Workforce Policy Commission to, in part, identify areas of the state where unmet priority needs for dentists, physicians, and registered nurses exist.

This bill would require the Director of Statewide Health Planning and Development and the commission to adopt regulations relating to the designation of health access zones, as defined, for the purpose of targeting state resources to reduce health disparities, increase access to primary care for the state's growing Medi-Cal population, improve health outcomes, and reduce health care costs and hospital admissions and readmissions in certain parts of the state. The bill would require the director and the commission to begin accepting applications by nonprofit community-based organizations and local government agencies

for health access zone designation no later than July 1, 2015, and would require the director and the commission to designate areas as health access zones in accordance with specified criteria. The bill would also authorize the director and the commission to issue grants to the nonprofit community-based organizations, local government agencies, and health access zone practitioners, as defined, for specified purposes. The bill would create the Health Access Zone Reserve Fund, which would consist of moneys appropriated by the Legislature, to be used, upon appropriation of the Legislature, by the director and the commission for these purposes.

The Personal Income Tax Law authorizes various credits against the tax imposed by that law.

This bill would, for taxable years beginning on or after January 1, 2016, allow a credit against that tax in an amount equal to \$5,000 for each net increase in qualified full-time health access zone employees, as defined, hired during the taxable year by a qualified health access zone employer, as defined.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) Shortages of physicians and other health professionals in
- 4 underserved areas significantly affect the health of racial and ethnic
- 5 minorities.
- 6 (b) Members of racial and ethnic minority groups are
- 7 overrepresented among the 56 million people in the United States
- 8 who have inadequate access to a primary care physician.
- 9 (c) There are marked differences in social determinants, such
- 10 as poverty, low socioeconomic status, and lack of access to care,
- 11 that exist along racial and ethnic lines and these differences can
- 12 contribute to poor health outcomes.
- 13 (d) While many state and federal programs continue to attempt
- 14 to reduce racial and ethnic disparities in quality of and access to
- 15 care, significant disparities continue to persist.
- 16 (e) Strengthening California's health and human services
- 17 infrastructure involves addressing the critical shortage of primary

1 care physicians, nurses, behavioral health providers, long-term
2 care workers, and community health workers.

3 SEC. 2. Chapter 12.9 (commencing with Section 7091) is added
4 to Division 7 of Title 1 of the Government Code, to read:

5
6 CHAPTER 12.9. CALIFORNIA HEALTH CARE ACCESS INITIATIVE
7

8 7091. For purposes of this chapter, the following definitions
9 shall apply:

10 (a) “Area” means a contiguous geographic area that meets both
11 of the following:

12 (1) Demonstrates measurable and documented health disparities
13 and poor health outcomes.

14 (2) Is small enough to allow for the incentives offered under
15 this chapter to have a significant impact on improving health
16 outcomes, reducing health disparities, including racial and ethnic
17 and geographic disparities, and serving the Medi-Cal population.

18 (b) “Commission” means the California Healthcare Workforce
19 Policy Commission within the Office of Statewide Health Planning
20 and Development.

21 (c) “Director” means the Director of Statewide Health Planning
22 and Development.

23 (d) “Fund” means the Health Access Zone Reserve Fund
24 established in Section 7099.

25 (e) “Health access zone” means a contiguous geographic area
26 that meets all of the following:

27 (1) Demonstrates measurable and documented health disparities
28 and poor health outcomes.

29 (2) Is small enough to allow for the incentives offered under
30 this chapter to have a significant impact on improving health
31 outcomes, reducing health disparities, including racial and ethnic
32 and geographic disparities, and serving the Medi-Cal population.

33 (3) Is designated as a health access zone by the commission and
34 the director in accordance with this chapter.

35 (f) “Health access zone practitioner” means a person who is
36 licensed under Division 2 (commencing with Section 500) of the
37 Business and Professions Code and who provides any of the
38 following:

39 (1) Primary care, including obstetrics, gynecological services,
40 pediatric services, or geriatric services.

1 (2) Behavioral health services, including mental health and
2 alcohol and substance abuse services.

3 (3) Dental services.

4 7092. It is the intent of the Legislature in enacting this chapter
5 to establish health access zones to target state resources to reduce
6 health disparities, increase access to primary care for our state's
7 growing Medi-Cal population, improve health outcomes, and
8 reduce health care costs and hospital admissions and readmissions
9 in specific areas of the state.

10 7093. (a) The director and the commission may adopt
11 regulations to implement this chapter and to specify eligibility
12 criteria, application, approval, and monitoring processes for
13 participants. The director and the commission shall consult with
14 the Office of Health Equity within the State Department of Public
15 Health in implementing this chapter.

16 (b) (1) In order for an area to be designated as a health access
17 zone, a nonprofit community-based organization or a local
18 government agency shall apply to the director on behalf of the area
19 to receive designation. The application shall be in the form and
20 manner and contain the information required as determined by the
21 commission and the director.

22 (2) The director and the commission shall begin accepting
23 applications for health access zone designation no later than July
24 1, 2015.

25 (c) An application submitted pursuant to subdivision (b) shall
26 include an effective and sustainable plan to reduce health
27 disparities, reduce costs or produce savings in the health care
28 system, and improve health outcomes that includes both of the
29 following:

30 (1) A description of the plan of the nonprofit community-based
31 organization or local government agency to utilize funding
32 available under this chapter to address health care provider
33 capacity, improve health services delivery, effectuate community
34 improvements, or conduct outreach and education efforts.

35 (2) A proposal to use funding available under this chapter to
36 provide for loan repayment incentives to induce health access zone
37 practitioners to practices in the area.

38 (d) An application submitted pursuant to subdivision (b) may
39 also include the use of other benefits, including, but not limited
40 to, any of the following:

1 (1) Tax credits, including, but not limited to, those available
2 under Section 17057.8 of the Revenue and Taxation Code to
3 encourage health access zone practitioners to establish or expand
4 health care practices in the area.

5 (2) A proposal to use innovative public health strategies to
6 reduce health disparities in the areas, including the use of
7 community health workers, registered dietitians, optometrists,
8 peer learning, and community-based disease management activities,
9 that could be supported by grants awarded under this chapter.

10 (3) A proposal to use other incentives or mechanisms to address
11 health disparities that focus on ways to expand access to care,
12 expand access to fresh produce through grocery stores and farmer's
13 markets, promote hiring, and reduce costs to the health care system.

14 7094. (a) The director and the commission shall designate
15 areas as health access zones in accordance with this section.

16 (b) The director and the commission shall consider geographic
17 diversity, among other factors, when designing areas as health
18 access zones, and the commission may conduct outreach efforts
19 to facilitate a geographically diverse pool of applicants, including
20 promoting applications from rural areas.

21 (c) After receiving applications, the director and the commission
22 shall report to the Assembly Committee on Budget and the Senate
23 Committee on Budget and Fiscal Review the names of the
24 applicants and geographic areas in which the applicants are located.

25 (d) The director and the commission may limit the number of
26 areas designated as health access zones based on the amount of
27 money appropriated by the Legislature to the fund.

28 (e) The director and the commission shall give priority to
29 applications that demonstrate all of the following:

30 (1) Support from and participation of key stakeholders in the
31 public and private sectors, including residents of the area and local
32 government.

33 (2) A plan for long-term funding and sustainability.

34 (3) Inclusion of supporting funds from the private sector.

35 (4) A plan for evaluation of the impact of designation of the
36 proposed area as a health access zone.

37 (5) Other factors that the director and the commission determine
38 are appropriate to demonstrate a commitment to reduce disparities
39 and improve outcomes and provide access to health care to
40 Medi-Cal beneficiaries.

1 7095. Health access zone practitioners that practice in a health
2 access zone may receive both the following:

3 (a) A tax credit allowed under Section 17057.8 of the Revenue
4 and Taxation Code, for hiring other health professionals, including,
5 but not limited to, nurses or physician assistants, licensed or
6 certified under Division 2 (commencing with Section 500) of the
7 Business and Professions Code, if the health access zone
8 practitioner receives a certification of eligibility as described in
9 Section 7097 and meets the other requirements in Section 17057.8
10 of the Revenue and Taxation Code.

11 (b) Priority for the receipt of any state funding available for
12 electronic health records, if feasible and if other standards for
13 receipt of the funding are met.

14 7096. (a) A nonprofit community-based organization or a local
15 government agency that applies on behalf of an area for designation
16 as a health access zone may receive grants, as determined by the
17 director and the commission, to implement actions outlined in the
18 organization's or agency's application to improve health outcomes
19 and reduce health disparities in the health access zone.

20 (b) A health access zone practitioner may apply to the director
21 and the commission for a grant to defray the cost of capital or
22 leasehold improvements to, or medical or dental equipment to be
23 used in, the health access zone.

24 (1) To qualify for a grant under this section, a health access
25 zone practitioner shall meet both of the following requirements:

26 (A) Own or lease the health care facility.

27 (B) Provide health care from that facility.

28 (2) A grant to defray the cost of medical or dental equipment
29 shall not exceed the lesser of twenty-five thousand dollars
30 (\$25,000) or 50 percent of the cost of the equipment.

31 (3) Grants for capital or leasehold improvements shall be for
32 the purposes of improving or expanding the delivery of health care
33 in the health access zone.

34 7097. (a) A health care access practitioner may request from
35 the director and the commission a certification of eligibility for
36 the tax credits under Section 17053.8 of the Revenue and Taxation
37 Code.

38 (b) The director and the commission shall issue a certification
39 of eligibility of the tax credits under Section 17057.8 of the

1 Revenue and Taxation Code if the health access zone practitioner
2 meets all of the following:

3 (1) He or she practices in the health access zone.

4 (2) He or she demonstrates competency in cultural, linguistic,
5 and health literacy in a manner determined by the department.

6 (3) He or she accepts and provides care for patients who are
7 enrolled in Medi-Cal or are uninsured.

8 (4) He or she meets other factors that the director and the
9 commission determine are appropriate to demonstrate a
10 commitment to reduce health disparities and improve outcomes
11 and provide access to health care to Medi-Cal beneficiaries.

12 (c) The health access zone practitioner shall retain a copy of the
13 certification.

14 7098. (a) Notwithstanding Section 10231.5 of the Government
15 Code, and on or before December 31 of each year, the director and
16 the commission shall submit a report to the Governor and the
17 Legislature that includes all of the following:

18 (1) The number and types of incentives granted to each health
19 access zone.

20 (2) Evidence of the impact of the tax credits and loan repayment
21 incentives in attracting health access zone practitioners to health
22 access zones.

23 (3) Evidence of the impact of the incentives offered in health
24 access zones in reducing health disparities and improving health
25 outcomes.

26 (4) Evidence of progress in reducing health costs and hospital
27 admissions and readmissions in health access zones.

28 (b) A report submitted by the director and the commission
29 pursuant to subdivision (a) shall be submitted in compliance with
30 Section 9795 of the Government Code.

31 7099. (a) There is hereby established in the State Treasury the
32 Health Access Zone Reserve Fund consisting of moneys
33 appropriated to the fund by the Legislature.

34 (b) Moneys in the fund shall be used, upon appropriation of the
35 Legislature, by the director and the commission for purposes of
36 implementing this chapter.

37 SEC. 3. Section 17057.8 is added to the Revenue and Taxation
38 Code, to read:

39 17057.8. (a) For each taxable year beginning on or after
40 January 1, 2016, there shall be allowed as a credit against the “net

1 tax,” as defined in Section 17039, an amount equal to five thousand
2 dollars (\$5,000) for each net increase in qualified full-time health
3 access zone employees hired during the taxable year by a qualified
4 health access zone employer.

5 (b) For purposes of this section:

6 (1) “Annual full-time equivalent” means either of the following:

7 (A) In the case of a full-time employee paid hourly qualified
8 wages, “annual full-time equivalent” means the total number of
9 hours worked for the qualified health access zone employer by the
10 employee (not to exceed 2,000 hours per employee) divided by
11 2,000.

12 (B) In the case of a salaried full-time employee, “annual
13 full-time equivalent” means the total number of weeks worked for
14 the qualified health access zone employer by the employee divided
15 by 52.

16 (2) “Health access zone” has the same meaning as that term is
17 defined in subdivision (g) of Section 7091 of the Government
18 Code.

19 (3) “Qualified full-time health access zone employee” means
20 an individual who meets all of the following requirements:

21 (A) Is a health professional licensed or certified under Division
22 2 (commencing with Section 500) of the Business and Professions
23 Code, such as, but not limited to, a nurse or physician assistant.

24 (B) Performs 100 percent of his or her services for the qualified
25 health access zone employer during the taxable year in a health
26 access zone.

27 (C) At least 90 percent of his or her services for the qualified
28 health access zone employer during the taxable year are providing
29 the following kinds of professional services:

30 (i) Primary care, including obstetrics, gynecological services,
31 pediatric services, or geriatric services.

32 (ii) Behavioral health services, including mental health and
33 alcohol and substance abuse services.

34 (iii) Dental services.

35 (D) Is hired by the qualified health access zone employer after
36 the date of original designation of the area in which services were
37 performed as a health access zone.

38 (E) Meets one of the following:

1 (i) Was paid qualified wages by the qualified health access zone
2 employer for services of not less than an average of 35 hours per
3 week.

4 (ii) Was a salaried employee and was paid compensation during
5 the taxable year for full-time employment, within the meaning of
6 Section 515 of the Labor Code, by the qualified health access zone
7 employer.

8 (4) “Qualified health access zone employer” means an individual
9 who is a health access zone practitioner as defined in subdivision
10 (h) of Section 7091 of the Government Code who has received the
11 certification of eligibility described in Section 7097 of the
12 Government Code or, in the case of a pass-thru entity, the partners
13 or shareholders of the pass-thru entity are all health access zone
14 practitioners as defined in subdivision (h) of Section 7091 of the
15 Government Code, who each have received the certification of
16 eligibility described in Section 7097 of the Government Code. For
17 purposes of this subdivision, the term “pass-thru entity” means a
18 partnership or “S” corporation.

19 (5) “Qualified wages” means wages subject to Division 6
20 (commencing with Section 13000) of the Unemployment Insurance
21 Code that are equal to or greater than 150 percent of the state
22 minimum wage.

23 (c) The net increase in qualified full-time employees of a
24 qualified health access zone employer shall be determined as
25 provided by this subdivision:

26 (1) (A) The net increase in qualified full-time employees shall
27 be determined on an annual full-time equivalent basis by
28 subtracting from the amount determined in subparagraph (C) the
29 amount determined in subparagraph (B).

30 (B) The total number of qualified full-time employees employed
31 in the preceding taxable year by the qualified health access zone
32 employer.

33 (C) The total number of full-time employees employed in the
34 current taxable year by the qualified health access zone employer.

35 (2) For qualified health access zone employers who first
36 commence doing business in the health access zone during the
37 taxable year, the number of full-time employees for the
38 immediately preceding prior taxable year shall be zero.

1 (d) The qualified health access zone employer shall provide the
2 certification of eligibility described in Section 7097 of the
3 Government Code upon request to the Franchise Tax Board.

4 (e) In the case where the credit allowed by this section exceeds
5 the “net tax,” the excess may be carried over to reduce the “net
6 tax” in the following year, and succeeding nine years if necessary,
7 until the credit is exhausted.

8 (f) (1) The Franchise Tax Board may prescribe rules, guidelines,
9 or procedures necessary or appropriate to carry out the purposes
10 of this section.

11 (2) Chapter 3.5 (commencing with Section 11340) of Part 1 of
12 Division 3 of Title 2 of the Government Code does not apply to
13 any standard, criterion, procedure, determination, rule, notice, or
14 guideline established or issued by the Franchise Tax Board
15 pursuant to this section.